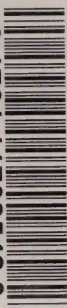


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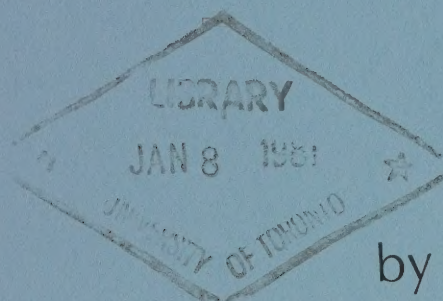
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NATIONAL ENERGY BOARD REASONS FOR DECISION

In the Matter of a Submission
Respecting its Operating and Maintenance
Expense Budget Pursuant to Order No. TG-5-79



by

WESTCOAST TRANSMISSION COMPANY LIMITED

OCTOBER 1980

NATIONAL ENERGY BOARD

REASONS FOR DECISION

In the Matter of a Submission

Respecting its Operating and Maintenance

Expense Budget Pursuant to Order No. TG-5-79

by

WESTCOAST TRANSMISSION COMPANY LIMITED

October 1980

Ce rapport est
publié séparément
dans les deux langues
officielles

(i)

NATIONAL ENERGY BOARD

IN THE MATTER OF the National Energy Board Act and
the Regulations made thereunder; and

IN THE MATTER OF applications by Westcoast
Transmission Company Limited for certain orders respecting
rates and tolls pursuant to Part IV of the National Energy
Board Act, filed with the Board under File Nos. 1562-W5-3 and
1562-W5-4.

Heard in Vancouver, British Columbia on 6, 7, 8, 9,
11, 12, 13, 14, 15, 16, 18, 19, and 20 August 1980; and in
Ottawa, Ontario on 3, 4, 5, 8, 9, 10, 11, and 12 September
1980.

BEFORE:


L.M. Thur	Presiding Member
J.R. Hardie	Member
R.B. Horner	Member

APPEARANCES:

R.J. Gibbs, Q.C.	)	Westcoast Transmission Company
J.W. Lutes	)	Limited
J.M. Pelrine	)	British Columbia Petroleum
D.G. Sanderson	)	Corporation
Beverly Silver-Corber)	
W. Mitchell	)	British Columbia Hydro and
D. Duff	)	Power Authority
C.B. Johnson	)	Inland Natural Gas Company
	)	Limited
J.B. Ballem, Q.C.	)	Canadian Petroleum Association
L.H. Pilon	)	TransCanada PipeLines Limited
R.B. Wallace	)	Council of Forest Industries of
J. Haythorne	)	British Columbia
W. Fruehauf	)	Cominco Ltd.
F.H.T. Dewdney	)	Consumers Glass Company Limited
	)	Domglas Inc.
	)	Hiram Walker & Sons Ltd.

(ii)

E.R.A. Edwards)	Attorney General of British
M.M. Moseley)	Columbia
P.G. Griffin)	National Energy Board



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Table of Contents

	<u>Page</u>
Recital and Appearances	(i)
Table of Contents	(iii)
The Operating and Maintenance Expense Submission	1
Budget for Salaries, Wages, and Benefits	3
- Escalation Factor	3
- Number of Employees	3
- Employee Benefits	3
- Total Authorized Budget for Salaries, Wages, and Benefits	4
Other Operating and Maintenance Expenses	4
- Charitable Donations	4
Disposition	6

Appendix I Amending Tariff Order No. AO-2-TG-5-79

The Operating and Maintenance Expense Submission

Since 1 November 1979, Westcoast Transmission Company Limited ("Westcoast" or "the Applicant") has been charging for the transmission of natural gas through its pipeline the tolls prescribed by the Board pursuant to Order No. TG-5-79, dated 20 September 1979, issued following a public hearing held in 1978 and 1979. The tolls prescribed by that Order are of the variable cost of service type, calculated on the basis of a monthly cost of service determined in accordance with the Order.

One component of the monthly cost of service is Operating and Maintenance Expenses. Order No. TG-5-79 provides that actual Operating and Maintenance Expenses for salaries, wages and employee benefits and for other items are to be included in the cost of service for each month up to the amount of the approved annual budgets for those items. Where Westcoast incurs Operating and Maintenance Expenses in excess of the budget amounts approved for any year, those excess expenses are required to be deferred by the Applicant for subsequent disposition by the Board. The annual budget approved in Order No. TG-5-79 was for the period which commenced on 1 July 1979. However, the Order also indicated that the Board would be prepared to consider a change in the commencement date of the annual budget period.

By a submission dated 28 March 1980, the Applicant filed, pursuant to paragraph 14 of Schedule A to Order No. TG-5-79, its Operating and Maintenance Expense budget for the six-month period ending 31 December 1980. Westcoast indicated in its submission that it had filed a six-month budget in order that it might adopt a calendar year budget commencing 1 January 1981.

By reason of the time required to complete the responses to various requests for additional information relating to the six-month budget, the Board decided to deal with the budget submission in the course of the public hearing

of Westcoast's rate application of 31 March 1980. By Order No. RH-4-80 dated 5 June 1980, both matters were set down for a public hearing commencing on 6 August 1980. In order to ensure that Westcoast could continue to charge the tolls authorized by Order No. TG-5-79 during the period commencing 1 July 1980, the Board, by Order No. AO-1-TG-5-79 dated 5 June 1980, approved an Operating and Maintenance Expense budget for the six-month period ending 31 December 1980 on an interim basis pending the public hearing and a final decision on the budget submission.

The Applicant filed a supplement dated 8 July 1980 to its Operating and Maintenance Expense submission of 28 March 1980, in which it updated its budget for Operating and Maintenance Expenses for the six months ending 31 December 1980. As updated, the Applicant's budget was \$10.375 million for Salaries, Wages and Benefits and \$12.278 million for Other Operating and Maintenance Expenses.

Budget for Salaries, Wages, and Benefits
Escalation Factor

The Applicant in its estimate of wages and salaries in the test period applied an escalation factor of 10.5 percent to actual wage and salary expenses incurred during the base period. Westcoast submitted that it has traditionally attempted to keep its wage and salary structure competitive with that of the oil and gas industry. Citing a number of companies in the industry that had granted similar wage and salary increases, Westcoast awarded a 10.5 percent general increase to all its employees in the first quarter of 1980.

The Board accepts the 10.5 percent escalation factor but has applied it to the level of salaries and wages authorized by the Board for 1979 in the September 1979 Reasons for Decision.

Number of Employees

The Applicant projected a total complement of 789 employees at December 31, 1980. This represents an increase of 94 permanent employees since December 31, 1979. Westcoast attributed this increased complement primarily to gas plant additions, increased gathering facilities, additional administrative requirements and construction activities. The total complement includes employees who work either full- or part-time on non-utility operations. Time spent by such employees on non-utility operations is removed from the pipeline cost of service through the company's allocation procedure.

The Board accepts that the staff increases applicable to pipeline operations are reasonable and that the budgets should include the increased costs resulting from the applicable additional staffing.

Employee Benefits

The Applicant estimated the allowance for employee benefits as 15 percent of total payroll, or \$1,691,000. This

figure was subsequently reduced by the Company to \$1,502,000, when estimated in terms of itemized benefits expenses. The allowance for employee benefits is a reflection of higher salary levels, staff additions, and increased premiums, with no changes in the level of benefits provided to the company's employees.

The Board accepts as reasonable the amount for employee benefits as revised by the Company.

Total Authorized Budget for Salaries, Wages, and Benefits

The Board concludes that the proposed budget of \$10,375,000 for salaries, wages, and benefits in Operating and Maintenance Expenses should be reduced by \$408,000 to \$9,967,000.

Other Operating and Maintenance Expenses

Charitable Donations

In previous years, Westcoast charged to its cost of service under Operating and Maintenance Expenses its total expenditures for charitable donations. A portion of these donations in each year has been subsequently allocated to non-utility operations through the Company's overhead allocation process, which provides an offset to cost of service. In its current application, the Company proposes to treat what are considered to be regular charitable donations under the method described above. However, the Company in 1980 made a special commitment to the Orpheum Theatre of Vancouver totalling \$400,000. Due to the unique nature of this donation, the Company has proposed a special treatment such that only one-half (\$50,000) of the payment to be made in the budget period (\$100,000) would be included in regular donations for cost of service purposes.

The British Columbia Petroleum Corporation argued that the portion of charitable donations which is attributed to

the utility system operation should be shared at least to some extent by the shareholders. It is the view of the Board that no change is necessary in Westcoast's present system of including regular charitable donations in overhead, which is allocated between utility and non-utility operations.

Westcoast, like the other pipeline companies subject to the Board's jurisdiction, makes routine donations, and, in the Board's view, the portion of these donations that is allocable to utility operations should be included in the cost of service.

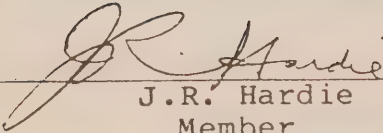
The British Columbia Hydro and Power Authority submitted that it is not the function of a utility company to make such generous donations to such causes as the Orpheum Theatre. It is the view of the Board that substantial donations for cultural endeavors of the Company's own choosing should not automatically be included in the cost of service and that the regulatory treatment of donations of this nature will be given special consideration taking into account the circumstances of each case. The Board finds Westcoast's proposed treatment of the 1980 payment on account of the donation to the Orpheum Theatre, whereby only one-half is included in regular donations, to be acceptable.

DISPOSITION

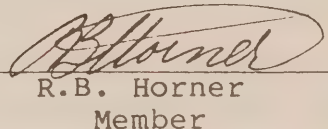
Westcoast's budgets for Operating and Maintenance Expenses for the six-month period ending 31 December 1980 were approved by Order No. AO-2-TG-5-79, which is set out as Appendix I to these Reasons for Decision. The budget for Salaries, Wages and Benefits was approved in the amount of \$9.967 million, and that for other Operating and Maintenance Expenses in the amount of \$12.278 million. Westcoast may include in its cost of service the actual costs incurred for these categories of expenses up to the amounts in the approved budgets. Any expenses in excess of these amounts shall be deferred for disposition as described under the method for regulating the tolls of Westcoast in Order No. TG-5-79 as amended.



L.M. Thur
Presiding Member



J.R. Hardie
Member



R.B. Horner
Member

NATIONAL ENERGY BOARD



OFFICE NATIONAL DE L'ÉNERGIE

ORDER NO. AO-2-TG-5-79

IN THE MATTER OF the National Energy Board
Act and the Regulations made thereunder;
and

IN THE MATTER OF a submission by Westcoast
Transmission Company Limited (hereinafter
called "Westcoast") respecting its Operating
and Maintenance Expense Budget pursuant to
Order No. TG-5-79, filed with the Board
under File No. 1562-W5-3.

BEFORE:

L.M. Thur,)	
Associate Vice Chairman))	
J.R. Hardie,	)	on Tuesday, the 16th day
Member)	
	)	of September, 1980.
R.B. Horner,)	
Member)	

UPON the Board having, by Order No. TG-5-79, dated
the 20th day of September, 1979, prescribed the tolls Westcoast
may charge in respect of natural gas transmitted by it through
its pipeline and sold by it in each month during the term of
the said Order;

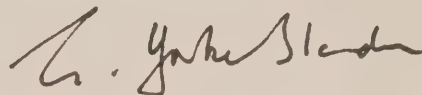
AND UPON Westcoast having, by a submission dated the
28th day of March, 1980, made pursuant to paragraph 14 of
Schedule A to Order No. TG-5-79, submitted its forecast
Operating and Maintenance Expenses for the six-month period
ending on the 31st day of December, 1980;

- 2 -

AND UPON the Board having, pursuant to Order No. RH-4-80, dated the 5th day of June, 1980, heard the evidence and argument in respect of the said submission by Westcoast at a public hearing which commenced on the 6th day of August, 1980;

IT IS ORDERED THAT Order No. TG-5-79, as amended by Order No. AO-1-TG-5-79, be and the same is hereby changed, altered, and varied by revoking Schedule F thereof and substituting therefor the attached Schedule F.

NATIONAL ENERGY BOARD



G. Yorke Slader
Secretary

AO-2-TG-5-79

SCHEDULE F

Approved Budgets for Westcoast
Transmission Company Limited
for the Six Months Commencing
on 1 July 1980 and ending on
31 December 1980.

1. The approved budget for salaries, wages, and benefits included in Operating and Maintenance Expenses is \$9,967,000.
2. The approved budget for Operating and Maintenance Expenses other than salaries, wages, and benefits is \$12,278,000.

